

COBLENTZ PATCH DUFFY & BASS LLP
 ONE FERRY BUILDING, SUITE 200, SAN FRANCISCO, CALIFORNIA 94111-4213
 415.391.4800 • FAX 415.989.1663

JEFFREY G. KNOWLES (State Bar No. 129754)
 JULIA D. GREER (State Bar No. 200479)
 BEJAN D. FANIBANDA (State Bar No. 266377)
 COBLENTZ PATCH DUFFY & BASS LLP
 One Ferry Building, Suite 200
 San Francisco, California 94111-4213
 Telephone: 415.391.4800
 Facsimile: 415.989.1663
 Email: ef-jgk@cpdb.com
 ef-jdg@cpdb.com
 ef-bdf@cpdb.com

Attorneys for Defendants and Counterclaimants
 DOTCOM RETAIL LIMITED and
 BEAUTYBAY.COM LIMITED

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

EBAY INC., a Delaware corporation,

Plaintiff,

v.

DOTCOM RETAIL LIMITED, a United
 Kingdom company; BEAUTYBAY.COM
 LIMITED, a United Kingdom company,

Defendants.

DOTCOM RETAIL LIMITED, a United
 Kingdom company; BEAUTYBAY.COM
 LIMITED, a United Kingdom company,

Counterclaimants,

v.

EBAY INC., a Delaware corporation,

Counterdefendant.

Case No. CV-13-02853-EMC

**ANSWER AND COUNTERCLAIM OF
 DOTCOM RETAIL LIMITED AND
 BEAUTYBAY.COM LIMITED FOR
 DECLARATORY RELIEF**

Trial Date: None Set

Jury Trial Requested

1 Defendants DOTCOM RETAIL LIMITED and BEAUTYBAY.COM LIMITED
2 ("Dotcom," "Beautybay" or "Defendants"), answer the Complaint of plaintiff EBAY INC. ("eBay"
3 or "Plaintiff") as follows:

4 1. As to paragraph 1 of Plaintiff's Complaint, Defendants admit that they are United
5 Kingdom-based companies that adopted the trademark BEAUTYBAY for an e-commerce website
6 for beauty products located at www.beautybay.com. Defendants deny all other allegations in
7 paragraph 1.

8 2. As to paragraph 2 of Plaintiff's Complaint, Defendants are without sufficient
9 knowledge or information to form a belief as to the truth of the allegations contained in said
10 paragraph, and on that basis deny them.

11 3. As to paragraph 3 of Plaintiff's Complaint, Defendants admit that Defendant
12 Dotcom is a United Kingdom company with its headquarters in the United Kingdom, that it owns
13 the BEAUTYBAY business, and that it is listed as the owner of the domain name
14 www.beautybay.com and pending federal trademark application for the BEAUTYBAY mark.
15 Defendants deny all other allegations in paragraph 3.

16 4. As to paragraph 4 of Plaintiff's Complaint, Defendants admit that Defendant
17 Beautybay is a United Kingdom company with its headquarters in the United Kingdom, that it
18 owns and operates the beautybay.com website, and that "BeautyBay.com Ltd." is listed on the
19 beautybay.com website as its owner. Defendants deny all other allegations in paragraph 3.

20 5. As to paragraph 5 of Plaintiff's Complaint, whether the Court has personal
21 jurisdiction over Defendants is a legal contention that requires no response. Defendants admit
22 they conduct or have conducted business in the State of California under the BEAUTYBAY name
23 and mark; that they sell products to consumers in California and the Court's district through the
24 beautybay.com website; have sold and shipped products into California; and have agreements with
25 vendors and suppliers in the Court's district for products that are sold on the website. Defendants
26 deny all other allegations in paragraph 5.

27 6. As to paragraph 6 of Plaintiff's Complaint, this is a legal contention that requires no
28

1 response.

2 7. As to paragraph 7 of Plaintiff's Complaint, the first sentence is a legal contention
3 and requires no response. As to the remainder of paragraph 7, Defendants incorporate their
4 response to paragraph 5, and in addition, deny that any injury has occurred to eBay in the Court's
5 district or anywhere else.

6 8. As to paragraph 8 of Plaintiff's Complaint, this is a legal contention that requires no
7 response.

8 9. As to paragraph 9 of Plaintiff's Complaint, Defendants are without sufficient
9 knowledge or information to form a belief as to the truth of the allegations contained in said
10 paragraph, and on that basis deny them.

11 10. As to paragraph 10 of Plaintiff's Complaint, Defendants are without sufficient
12 knowledge or information to form a belief as to the truth of the allegations contained in said
13 paragraph, and on that basis deny them.

14 11. As to paragraph 11 of Plaintiff's Complaint, Defendants are without sufficient
15 knowledge or information to form a belief as to the truth of the allegations contained in said
16 paragraph, and on that basis deny them.

17 12. As to paragraph 12 of Plaintiff's Complaint, Defendants are without sufficient
18 knowledge or information to form a belief as to the truth of the allegations contained in said
19 paragraph, and on that basis deny them.

20 13. As to paragraph 13 of Plaintiff's Complaint, Defendants are without sufficient
21 knowledge or information to form a belief as to the truth of the allegations contained in said
22 paragraph, and on that basis deny them.

23 14. As to paragraph 14 of Plaintiff's Complaint, Defendants are without sufficient
24 knowledge or information to form a belief as to the truth of the allegations contained in said
25 paragraph, and on that basis deny them.

26 15. As to paragraph 15 of Plaintiff's Complaint, Defendants are without sufficient
27 knowledge or information to form a belief as to the truth of the allegations contained in said
28

1 paragraph, and on that basis deny them.

2 16. As to paragraph 16 of Plaintiff's Complaint, Defendants are without sufficient
3 knowledge or information to form a belief as to the truth of the allegations contained in said
4 paragraph, and on that basis deny them.

5 17. As to paragraph 17 of Plaintiff's Complaint, Defendants are without sufficient
6 knowledge or information to form a belief as to the truth of the allegations contained in said
7 paragraph, and on that basis deny them.

8 18. As to paragraph 18 of Plaintiff's Complaint, Defendants are without sufficient
9 knowledge or information to form a belief as to the truth of the allegations contained in said
10 paragraph, and on that basis deny them.

11 19. As to paragraph 19 of Plaintiff's Complaint, Defendants are without sufficient
12 knowledge or information to form a belief as to the truth of the allegations contained in said
13 paragraph, and on that basis deny them.

14 20. As to paragraph 20 of Plaintiff's Complaint, Defendants are without sufficient
15 knowledge or information to form a belief as to the truth of the allegations contained in said
16 paragraph, and on that basis deny them.

17 21. As to paragraph 21 of Plaintiff's Complaint, Defendants are without sufficient
18 knowledge or information to form a belief as to the truth of the allegations contained in said
19 paragraph, and on that basis deny them.

20 22. As to paragraph 22 of Plaintiff's Complaint, Defendants are without sufficient
21 knowledge or information to form a belief as to the truth of the allegations contained in said
22 paragraph, and on that basis deny them.

23 23. As to paragraph 23 of Plaintiff's Complaint, Defendants are without sufficient
24 knowledge or information to form a belief as to the truth of the allegations contained in said
25 paragraph, and on that basis deny them.

26 24. As to paragraph 24 of Plaintiff's Complaint, Defendants object that the allegations
27 are simply legal argument and require no response; alternatively, Defendants are without sufficient
28

1 knowledge or information to form a belief as to the truth of the allegations contained in said
2 paragraph, and on that basis deny them.

3 25. As to paragraph 25 of Plaintiff's Complaint, Defendants admit that Defendant
4 Dotcom previously operated an e-commerce website at fragrancebay.com called Fragrancebay,
5 together with a related company Fragrancebay.com Ltd. Defendants further admit that
6 Fragrancebay.com Ltd. has been dissolved and the Fragrancebay.com website is no longer active,
7 though the domain name www.fragrancebay.com is still owned by Defendant Dotcom.
8 Defendants admit that when the fragrancebay.com URL was active, it was a website offering for
9 sale perfumes and other scented products. Defendants deny all other allegations in paragraph 25.

10 26. As to paragraph 26 of Plaintiff's Complaint, Defendants admit that for a time they
11 used the term Clearance Bay, in a non-conjoined form, on the beautybay.com website. That use
12 has been discontinued. Defendants deny the remaining allegations in paragraph 26.

13 27. As to paragraph 27 of Plaintiff's Complaint, Defendants admit that they chose the
14 name "Beautybay" for their e-commerce website and purchased the beautybay.com domain name
15 in 2002. Defendants deny all other allegations in paragraph 27.

16 28. As to paragraph 28 of Plaintiff's Complaint, Defendants admit that the
17 Beautybay.com website uses BEAUTYBAY as a conjoined term.

18 29. As to paragraph 29 of Plaintiff's Complaint, Defendants admit that their website is
19 an e-commerce website focused on luxury hair care, skincare, cosmetics, and bath and body
20 products and accessories. Defendants are without sufficient knowledge or information to form a
21 belief as to the truth of Plaintiff's allegation that eBay's health and beauty category is one of its
22 most successful segments, and on that basis denies it. Defendants deny the remaining allegations
23 in paragraph 29.

24 30. As to paragraph 30 of Plaintiff's Complaint, Defendants object to the use of the
25 term "numerous" as argumentative and vague, but otherwise admit the allegations in paragraph 30.

26 31. As to paragraph 31 of Plaintiff's Complaint, Defendants admit the allegations in
27 paragraph 31.

1 32. As to paragraph 32 of Plaintiff's Complaint, Defendants admit the allegations in
2 paragraph 32.

3 33. As to paragraph 33 of Plaintiff's Complaint, Defendants deny having "full
4 knowledge" of eBay's rights and trademark registrations, and are without sufficient knowledge or
5 information to form a belief as to the truth of the allegations that International Class 35 is the same
6 Class as the majority of eBay's trademark registrations and on that basis deny them. Defendants
7 otherwise admit the allegations in paragraph 33.

8 34. As to paragraph 34 of Plaintiff's Complaint, Defendants object to the word
9 "timely," but otherwise admit the allegations in paragraph 34.

10 35. As to paragraph 35 of Plaintiff's Complaint, Defendants deny the allegations of
11 paragraph 35.

12 36. As to paragraph 36 of Plaintiff's Complaint, Defendants admit that they sell
13 makeup (from brands such as Bare Escentuals and RMK), skin care products (including brands
14 like Gatineau and Vitage), hair care products (from companies including Bedhead and Nioxin) and
15 accessories like brushes sponges, nail files, and tweezers. Defendants deny that the services
16 offered under the BEAUTYBAY Marks are identical and/or highly similar to those provided by
17 eBay. Defendants are without sufficient knowledge or information to form a belief as to the truth
18 of the remaining allegations contained in paragraph 36, and on that basis deny them.

19 37. As to paragraph 37 of Plaintiff's Complaint, Defendants deny the allegations in
20 paragraph 37.

21 38. As to paragraph 38 of Plaintiff's Complaint, Defendants deny the allegations in
22 paragraph 38.

23 39. As to paragraph 39 of Plaintiff's Complaint, Defendants admit the allegations in
24 paragraph 39.

25 40. As to paragraph 40 of Plaintiff's Complaint, Defendants admit that eBay began
26 using the eBay mark in the U.S. prior to Defendants' use of their marks in the U.S. Defendants
27 are without sufficient knowledge or information to form a belief as to the truth of the remaining
28

1 allegations contained in paragraph 40, and on that basis deny them.

2 41. As to paragraph 41 of Plaintiff's Complaint, Defendants deny the allegations
3 contained in paragraph 41.

4 42. As to paragraph 42 of Plaintiff's Complaint, Defendants deny the allegations
5 contained in paragraph 42.

6 43. As to paragraph 43 of Plaintiff's Complaint, Defendants deny the allegations
7 contained in paragraph 43.

8 44. As to paragraph 44 of Plaintiff's Complaint, Defendants deny the allegations
9 contained in paragraph 44.

10 45. As to paragraph 45 of Plaintiff's Complaint, Defendants admit they continue to use
11 the BEAUTYBAY Marks. Defendants deny all other allegations in paragraph 45.

12 46. Defendants reassert and reallege paragraphs 1 through 45 above as if fully set forth
13 herein.

14 47. As to paragraph 47 of Plaintiff's Complaint, Defendants deny the allegations
15 contained in paragraph 47.

16 48. As to paragraph 48 of Plaintiff's Complaint, Defendants admit that they offer online
17 shopping and e-commerce services through the Internet. Defendants further admit that they
18 maintain a website at the URL www.beautybay.com, which was registered after 1995. Defendants
19 deny that the BEAUTYBAY name and BEAUTYBAY Marks are confusingly similar to the
20 EBAY mark in appearance, sound, meaning and commercial impression. Defendants further deny
21 that they have targeted retailers, and deny that the parties target the same and similar consumers.
22 Defendants are without sufficient knowledge or information to form a belief as to the truth of the
23 remaining allegations contained in paragraph 48 and on that basis deny them.

24 49. As to paragraph 49 of Plaintiff's Complaint, Defendants admit that they are using
25 the BEAUTYBAY Marks in the US and international commerce in connection with their business
26 without eBay's express consent. Defendants admit that they knew of eBay's ownership and use of
27 the eBay mark prior to Defendants' adoption and use of the BEAUTYBAY marks. Defendants
28

1 are without sufficient knowledge or information to form a belief as to the truth of the remaining
2 allegations contained in paragraph 49 and on that basis deny them.

3 50. As to paragraph 50 of Plaintiff's Complaint, Defendants deny the allegations in
4 paragraph 50.

5 51. As to paragraph 51 of Plaintiff's Complaint, Defendants deny the allegations in
6 paragraph 51.

7 52. As to paragraph 52 of Plaintiff's Complaint, Defendants deny the allegations in
8 paragraph 52.

9 53. As to paragraph 53 of Plaintiff's Complaint, Defendants deny the allegations in
10 paragraph 53.

11 54. As to paragraph 54 of Plaintiff's Complaint, Defendants deny the allegations in
12 paragraph 54.

13 55. As to paragraph 55 of Plaintiff's Complaint, Defendants deny the allegations in
14 paragraph 55.

15 56. As to paragraph 56 of Plaintiff's Complaint, Defendants deny the allegations in
16 paragraph 56.

17 57. As to paragraph 57 of Plaintiff's Complaint, Defendants deny the allegations in
18 paragraph 57.

19 58. Defendants reassert and reallege paragraphs 1 through 57 above as if fully set forth
20 herein.

21 59. As to paragraph 59 of Plaintiff's Complaint, Defendants deny the allegations in
22 paragraph 59.

23 60. As to paragraph 60 of Plaintiff's Complaint, Defendants deny the allegations in
24 paragraph 60.

25 61. As to paragraph 61 of Plaintiff's Complaint, Defendants deny the allegations in
26 paragraph 61.

27 62. Defendants reassert and reallege paragraphs 1 through 61 above as if fully set forth
28

1 herein.

2 63. As to paragraph 63 of Plaintiff's Complaint, Defendants are without sufficient
3 knowledge or information to form a belief as to the truth of the allegations contained in paragraph
4 63 and on that basis deny them.

5 64. As to paragraph 64 of Plaintiff's Complaint, Defendants are without sufficient
6 knowledge or information to form a belief as to the truth of the allegations contained in paragraph
7 64 and on that basis deny them.

8 65. As to paragraph 65 of Plaintiff's Complaint, Defendants deny that use of the
9 BEAUTYBAY name and BEAUTYBAY Marks is "unauthorized." Defendants are without
10 sufficient knowledge or information to form a belief as to the truth of the remaining allegations
11 contained in paragraph 65 and on that basis deny them.

12 66. As to paragraph 66 of Plaintiff's Complaint, Defendants deny the allegations in
13 paragraph 66.

14 67. As to paragraph 67 of Plaintiff's Complaint, Defendants deny the allegations in
15 paragraph 67.

16 68. As to paragraph 68 of Plaintiff's Complaint, Defendants deny the allegations in
17 paragraph 68.

18 69. As to paragraph 69 of Plaintiff's Complaint, Defendants deny the allegations in
19 paragraph 69.

20 70. As to paragraph 70 of Plaintiff's Complaint, Defendants deny the allegations in
21 paragraph 70.

22 71. Defendants reassert and reallege paragraphs 1 through 70 above as if fully set forth
23 herein.

24 72. As to paragraph 72 of Plaintiff's Complaint, Defendants deny that the EBAY mark
25 is distinctive. Defendants are without sufficient knowledge or information to form a belief as to
26 the remaining allegations in paragraph 72 and on that basis deny them.

27 73. As to paragraph 73 of Plaintiff's Complaint, Defendants deny the allegations in
28

- 1 paragraph 73.
- 2 74. As to paragraph 74 Plaintiff's Complaint, Defendants deny the allegations in
- 3 paragraph 74.
- 4 75. As to paragraph 75 of Plaintiff's Complaint, Defendants deny the allegations in
- 5 paragraph 75.
- 6 76. As to paragraph 76 of Plaintiff's Complaint, Defendants deny the allegations in
- 7 paragraph 76.
- 8 77. Defendants reassert and reallege paragraphs 1 through 76 above as if fully set forth
- 9 herein.
- 10 78. As to paragraph 78 of Plaintiff's Complaint, Defendants deny the allegations in
- 11 paragraph 78.
- 12 79. As to paragraph 79 of Plaintiff's Complaint, Defendants deny the allegations in
- 13 paragraph 79.
- 14 80. As to paragraph 80 of Plaintiff's Complaint, Defendants deny the allegations in
- 15 paragraph 80.
- 16 81. As to paragraph 81 of Plaintiff's Complaint, Defendants deny the allegations in
- 17 paragraph 81.
- 18 82. As to paragraph 82 of Plaintiff's Complaint, Defendants deny the allegations in
- 19 paragraph 82.
- 20 83. Defendants reassert and reallege paragraphs 1 through 82 above as if fully set forth
- 21 herein.
- 22 84. As to paragraph 84 of Plaintiff's Complaint, Defendants deny the allegations in
- 23 paragraph 84.
- 24 85. As to paragraph 85 of Plaintiff's Complaint, Defendants deny the allegations in
- 25 paragraph 85.
- 26 86. As to paragraph 86 of Plaintiff's Complaint, Defendants deny the allegations in
- 27 paragraph 86.
- 28

87. Defendants reassert and reallege paragraphs 1 through 86 above as if fully set forth herein.

88. As to paragraph 88 of Plaintiff's Complaint, Defendants deny that the eBay trade name is distinctive. Defendants are without sufficient knowledge or information to form a belief as to the remaining allegations in paragraph 88 and on that basis deny them.

89. As to paragraph 89 of Plaintiff's Complaint, Defendants deny that the eBay trade name is protectable under California statutory and common law.

90. As to paragraph 90 of Plaintiff's Complaint, Defendants deny the allegations in paragraph 90.

91. As to paragraph 91 of Plaintiff's Complaint, Defendants deny the allegations in paragraph 91.

92. As to paragraph 92 of Plaintiff's Complaint, Defendants deny the allegations in paragraph 92.

93. As to Plaintiff's Prayer for Relief, Defendants deny that Plaintiff is entitled to any of the relief it seeks or any relief at all.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE **(Failure to State a Claim for Relief)**

94. Plaintiff has failed to state a claim upon which relief may be granted for, *inter alia*, all of the reasons set forth in the affirmative defenses described herein, as well as Defendants' denials as set forth above.

SECOND AFFIRMATIVE DEFENSE **(Statute of Limitations)**

95. Plaintiff's claims are barred by the applicable statutes of limitations.

THIRD AFFIRMATIVE DEFENSE **(Lack of Subject Matter Jurisdiction/Failure to Register)**

96. Plaintiff's claims are barred for lack of subject matter jurisdiction because, *inter alia*, Plaintiff lacks valid trademark registration and/ or has not properly or timely registered the marks.

FOURTH AFFIRMATIVE DEFENSE
(Laches)

97. Plaintiff's claims are barred, in whole or in part, by the doctrine of laches for, *inter alia*, unreasonably delaying in bringing this action against Defendants.

FIFTH AFFIRMATIVE DEFENSE
(Estoppel)

98. Plaintiff's claims are barred, in whole or in part, by the doctrine of estoppel for, *inter alia*, failure to timely or properly allege claims against Defendants in the first instance.

SIXTH AFFIRMATIVE DEFENSE
(Unclean Hands)

99. Plaintiff's claims are barred, in whole or in part, by the doctrine of unclean hands.

SEVENTH AFFIRMATIVE DEFENSE
(Trademark Invalidity)

100. Plaintiff's claimed trademarks are invalid and/or unenforceable.

EIGHTH AFFIRMATIVE DEFENSE
(Trademark Misuse)

101. Plaintiff's claims are barred, in whole or in part, by the doctrine of misuse of trademark.

NINTH AFFIRMATIVE DEFENSE
(First Amendment)

102. Plaintiff's claims are barred, in whole or in part, because Defendants' actions and speech are protected under the First Amendment to the Constitution of the United States.

TENTH AFFIRMATIVE DEFENSE
(Not Willful)

103. Plaintiff's claims are barred, in whole or in part, because at all relevant times Defendants acted in good faith and Defendants' conduct was not willful.

ELEVENTH AFFIRMATIVE DEFENSE
(Consent and License)

104. Plaintiff's claims are barred, in whole or in part, by Plaintiff's consent, authorization, license (express or implied), and/or acquiescence, for, *inter alia*, failure to properly or timely allege claims against Defendants in the first instance.

TWELFTH AFFIRMATIVE DEFENSE
(Failure To Mitigate)

105. To the extent that Plaintiff has suffered damages, which Defendants expressly deny, Plaintiff has failed to reasonably mitigate its damages.

THIRTEENTH AFFIRMATIVE DEFENSE
(Abandonment/Forfeiture)

106. Plaintiff's claims are barred to the extent it has forfeited or abandoned its trademarks.

FOURTEENTH AFFIRMATIVE DEFENSE
(Waiver)

107. Plaintiff's claims are barred, in whole or in part, by the doctrine of waiver, for, *inter alia*, failure to timely allege claims against Defendants in the first instance.

FIFTEENTH AFFIRMATIVE DEFENSE
(Additional Defenses)

108. Defendants reserve the right to supplement or amend their Answer, including through the addition of further affirmative defenses, based on additional information uncovered in the course of discovery and proceedings in this action.

WHEREFORE, Defendants pray as follows:

1. That Plaintiff take nothing by reason of its complaint, and that judgment be rendered in favor of Defendants;

2. That Defendants be awarded costs of suit incurred in defense of this action, including but not limited to their attorneys' fees; and

3. For such other relief as the Court deems proper.

COUNTERCLAIMS

Dotcom Retail Limited ("Dotcom") and Beautybay.com Limited ("Beautybay") (collectively, "Counterclaimants") hereby bring these Counterclaims against Plaintiff eBay, Inc. ("eBay, " "Plaintiff" or "Counterdefendant") pursuant to Rule 13 of the Federal Rules of Civil Procedure.

I. JURISDICTION

1. This Court has jurisdiction of this matter pursuant to 15 U.S.C. § 1221 and 28 U.S.C. §§ 1331, 1338(a)-(b), and 2201, and has supplemental jurisdiction under 28 U.S.C. § 1367(a) over claims under California law.

II. VENUE

2. Venue is proper in this district under 28 U.S.C. § 1391.

III. INTRADISTRICT ASSIGNMENT

3. This is an intellectual property action and therefore subject to Civil Local Rule 3-2(c).

IV. ALLEGATIONS**NATURE OF ACTION**

4. Plaintiff/Counterdefendant eBay has brought suit for trademark infringement, trademark dilution, and other related claims against Counterclaimants in this Court without cause in an effort to coerce Counterclaimants into relinquishing control of their marks. eBay's lawsuit is meritless. Beautybay's marks are not confusingly similar to eBay's, and there is no likelihood of consumer confusion between the two. Moreover, eBay has sat on its rights for many years and only now bring its Complaint even though it has suffered no injury, or threat of injury, during that time. Counterclaimants and eBay have different marks, operate different businesses and target different customers. eBay's efforts are no more than an attempt to push Counterclaimants out of the U.S. market in which Counterclaimants have already been operating successfully for years. Dotcom and Beautybay bring this Counterclaim seeking declarative relief affirming their rights to their marks and preventing eBay from pursuing its frivolous action.

THE PARTIES

5. Dotcom and Beautybay are companies incorporated in the United Kingdom with their principal place of business at Davrom House, 21 Lyons Road, Manchester, Greater Manchester, United Kingdom, M17 1RN. Beautybay is a wholly-owned subsidiary of Dotcom. Beautybay is a an international high-end online retailer of personal care products and cosmetics

1 that has been using various marks for many years in conjunction with its well-known business,
2 including BEAUTY BAY and BEAUTYBAY (the "BEAUTYBAY Marks").

3 6. Upon information and belief, Counterdefendant eBay is a Delaware corporation
4 with its headquarters in San Jose, California. Counterdefendant operates an auction-based website
5 that allows individuals to auction or sell products to purchasers.

6 **GENERAL ALLEGATIONS**

7 **I. BEAUTYBAY'S BUSINESS AND MARKS**

8 7. Since its start in the United Kingdom as Fragrancebay.com Limited in September
9 1999, the Beautybay business has flourished and grown into a successful and highly respected
10 international online retailer for luxury hair care, skin care, cosmetics, and bath and body products
11 and accessories. Beautybay sold approximately \$18 million worth of products worldwide in 2012
12 and is on target to sell approximately \$30 million worth of products worldwide this year.

13 8. Beautybay sells products directly to its customers through a professional, polished,
14 high-end website located at www.beautybay.com. Beautybay has taken great effort and expended
15 significant resources over the years to create an easy-to-use, visually attractive website with a
16 "luxurious" feel that caters to affluent customers. Beautybay implements strict style standards on
17 its website and works with a number of creative agencies to design and update the site. All of the
18 fonts, colors, and image sizes are uniform throughout the site and all of the product images are
19 created in a professional photography studio.

20 9. Beautybay is an authorized dealer for the branded products it sells and must
21 maintain the quality of its website to keep those authorizations. If it did not maintain the high
22 quality and impressive feel of its website, it would risk losing its position as an authorized dealer
23 for the high quality products it sells.

24 10. Beautybay continuously updates the functionality of its website to make the
25 website easy to use. For example, Beautybay recently implemented a guest checkout feature that
26 allows customers to purchase products without creating a user profile.

27 11. Beautybay excels at customer service, which is an integral part of the high-end
28

1 nature of its business. With its operational offices, product warehouse, and fulfillment center,
 2 Beautybay is able to keep over 99 percent of the products it sells in stock at all times in order to
 3 provide the fastest service possible to its customers. Beautybay solicits customer feedback,
 4 responds quickly to resolve any customer concerns, and offers customers a generous return policy.
 5 Beautybay also offers its customers expert advice and opinion on the products it sells and
 6 regularly creates seasonal trend reports on the beauty industry.

7 12. Beautybay has expended significant resources on online advertising in countries
 8 throughout the world through popular online services such as Google and Bing, social platforms
 9 such as Facebook and Twitter, and various online advertising networks. Beautybay employs a
 10 team of personnel to continually identify advertising opportunities around the globe, purchase
 11 advertising, and modify current advertising to better target consumers.

12 13. Beautybay purchases key terms such as "beautybay," as well as the names of
 13 major brands it sells, through Google's "AdWords" program. This causes Beautybay's
 14 advertisements to appear when internet users search for those terms.

15 14. Beautybay pays for advertisements on Facebook and Twitter, which attract users to
 16 Beautybay's profile pages on those services' websites, introduce users to Beautybay's services, and
 17 bolster Beautybay's reputation when users "like" or "follow" Beautybay. Beautybay also pays for
 18 advertisements on other online search engines and advertising networks such as Bing, Yahoo,
 19 Criteo, AdRoll, and Specific Media. A search anywhere in the world on a major search engine for
 20 the term "beautybay" or "beauty bay" will return Beautybay's website as one of the top results.
 21 Beautybay has also recently launched a television advertising campaign. These advertising efforts
 22 have made Beautybay easy for consumers to find and have contributed to Beautybay's well-
 23 established reputation.

24 15. As a result of Beautybay's efforts, Beautybay had nearly ten million visitors to its
 25 website worldwide in 2012 and currently has over one million visitors to its website worldwide
 26 each month. Over 320,000 users have "liked" Beautybay on Facebook and Beautybay has over
 27 28,000 followers on Twitter. Beautybay customers also write positive reviews of Beautybay's
 28

1 services on various online website review sites.

2 16. News outlets have published articles on Beautybay's success. Beautybay's founder
3 won EN Magazine's Northwest Young Entrepreneur of the Year Award. Beautybay also won the
4 Online Retail Award for the Perfumes & Cosmetics category, and has been nominated for Retail
5 Week's Enterprise award for online-only retailers.

6 17. Prior to operating under the BEAUTYBAY name, the Beautybay business operated
7 under the FRAGRANCEBAY name through a website located at www.fragrancebay.com.
8 Beautybay's founder incorporated Fragrancebay.com Limited in the United Kingdom in
9 September 1999.

10 18. Upon information and belief, eBay did not begin operating in the United Kingdom
11 until October 1999.

12 19. Beautybay's founder chose the name FRAGRANCEBAY because it was evocative
13 of the products sold (fragrances), because of his past business experience, and because of the
14 scarcity of available similarly evocative domain names. When Beautybay's founder searched for
15 domain names, many domain names that included the term "fragrance" were already taken.
16 Moreover, Beautybay's founder grew up watching his father own and operate retail outlets. He
17 has therefore always associated the term "bay" with a place where goods are loaded, stored or
18 sold, such as a goods warehouse, which is often referred to as a "bay;" tall "bay shelving;"
19 "loading bays" for deliveries at retail stores; "cargo bays" for storing cargo on ships and aircraft;
20 and car servicing and repair centers which often refer to their garage areas as "bays."
21 FRAGRANCEBAY was therefore a logical choice for the business.

22 20. Beautybay's founder chose the name BEAUTYBAY for the same reasons he chose
23 the name FRAGRANCEBAY, taking into account that the business was expanding to include
24 many personal care and beauty products instead of only focusing on fragrances. He also chose the
25 name BEAUTYBAY because he had already been using the name FRAGRANCEBAY. The
26 founder did not consider eBay's business name when choosing the FRAGRANCEBAY name.

27 21. Fragrancebay.com Limited purchased the domain name beautybay.com in October
28

2002 and registered it in November of that year.

22. Beautybay has consistently used the BEAUTYBAY Marks in conjunction with its business by (1) prominently branding its website with the BEAUTYBAY Marks; (2) purchasing online advertisements prominently displaying the BEAUTYBAY Marks in numerous countries; (3) creating and maintaining popular online social media profiles that prominently display the BEAUTYBAY Marks; (4) purchasing television advertisements that prominently display the BEAUTYBAY Marks (5) creating and circulating brochures explaining the Beautybay business; (6) sending communications to customers, vendors and others that contain the BEAUTYBAY Marks; and (7) sending products to customers in packaging heavily branded with the BEAUTYBAY Marks. Indeed, the Beautybay branded packaging used for shipping was so distinctive, attractive and recognizable that Beautybay had to change the outside of the shipping packaging because the packages were being stolen in transit. Beautybay now uses more subtle branding on the outside of the shipping packages, and restricts the more attention-getting use of the Marks to the inside of the packaging.

23. Fragrancebay.com Limited applied to register the BEAUTYBAY Marks with the United Kingdom Intellectual Property Office in December 2006 and the Marks were registered in August 2007. Beautybay incorporated Dotcom as a holding company and incorporated Beautybay as its wholly-owned subsidiary in the United Kingdom in November 2007.

24. Given Beautybay's worldwide success and its interest in protecting the goodwill it had developed in the BEAUTYBAY Marks, Dotcom (which then held rights to the Marks' United Kingdom registrations) applied to register the mark BEAUTY BAY with the United States Patent and Trademark Office in October 2009.

II. PLAINTIFF/COUNTERDEFENDANT'S BUSINESS

25. Upon information and belief, eBay operates an auction website through which individuals attempt to auction a wide variety of products including electronics, collectibles and art, home and garden products, sporting goods, clothing, books, real estate, health and beauty products, and musical instruments. eBay does not sell any products itself and is not considered a

1 retailer. eBay eventually began offering individual sellers the option to sell their products for a
2 fixed price. At least until 2008, auction sales accounted for the majority of Counterdefendant's
3 gross merchandising volume.

4 26. Upon information and belief, eBay exerts little or no control over either the
5 products that individuals sell through its website or the individual sellers themselves. Individual
6 sellers post images and descriptions of the products they sell as they please. Posted images are
7 often of poor quality, descriptions may be inaccurate or misleading, and there is no uniformity in
8 style or presentation of products between individual sellers. Products may be shipped to buyers in
9 any variety of packaging; individual sellers package their own goods. Most sellers are not
10 authorized distributors of the brand name products they sell. Purchasers have a limited basis, or
11 often no basis, upon which to verify the veracity of sellers' statements or the quality of the goods
12 before bidding on items. As a result of the quality of the shopping experience on eBay's website,
13 eBay attracts less affluent consumers than does Beautybay.

14 27. Upon information and belief, eBay has recently begun attempting to simulate retail
15 businesses like Beautybay even though eBay does not sell products itself. For example, eBay
16 announced in September 2013 that it is launching a "click and collect" service in the United
17 Kingdom that will allow individuals to purchase items from real retailers through eBay's website
18 and then pick up the items from physical outlets. In contrast, Beautybay has been *truly* retailing
19 products in the United Kingdom for many years. Despite eBay's attempts to encroach on retail
20 businesses like Beautybay, eBay still only operates a *platform* through which unaffiliated
21 individuals sell their products. It is not, and has never been, a retailer.

22 28. eBay has been aware of the Beautybay business and its success for a long time. In
23 January 2002, Fragrancebay.com Limited began selling products through eBay's website under the
24 username "fragbay." In or around September 2005, Fragrancebay.com Limited changed its eBay
25 seller account username to "beautybaycom." Fragrancebay.com Limited sold many items through
26 its eBay account and received many positive reviews from purchasers. But Fragrancebay.com
27 Limited eventually ceased selling through eBay, in large part to meet the quality expectations of
28

1 the luxury brands Beautybay was selling.

2 29. In January 2003, when the Beautybay business operated under the
3 FRAGRANCEBAY name, eBay sent an email to Fragrancebay.com Limited's domain registrar
4 stating eBay's belief that the domain name fragrancebay.org, which Fragrancebay.com Limited
5 utilized at the time, "may infringe and/or dilute the famous eBay trademark." Upon information
6 and belief, eBay never took any further action regarding its assertions.

7 30. In October 2004, eBay sent a similar email directly to Beautybay's founder, this
8 time stating its belief that the domain name fragrancebay.com "infringes and/or dilutes the
9 distinctive eBay trademark" and "insist[ing] that [Beautybay's founder] stop using the domain
10 name" Upon information and belief, eBay never took any further action regarding its
11 assertions.

12 31. eBay filed an opposition to Dotcom's USPTO application in December 2010, over a
13 year after Dotcom had applied to register the BEAUTYBAY Marks. In its opposition, eBay
14 claimed that Dotcom's application should be denied because there was a likelihood of confusion
15 between Dotcom's and eBay's marks, and Dotcom's marks would dilute eBay's marks.

16 32. Despite eBay's delay, and despite a lack of any indication of consumer confusion,
17 dilution, or injury to eBay, Dotcom proactively attempted to engage eBay in negotiations to
18 amicably resolve eBay's concerns. eBay purported to be willing to engage in discussions with
19 Dotcom, but continually dragged its feet. eBay made assertions that progress could be made, but
20 repeatedly found reasons for delay. Ultimately no resolution was reached.

21 33. In August, 2012 – five years after the marks had been registered – eBay filed an
22 application to invalidate Dotcom's registration of the BEAUTYBAY Marks in the United
23 Kingdom. This was despite Beautybay's long-term, well-known and successful use of those
24 Marks in the United Kingdom for many years. eBay continued to claim willingness to engage in
25 negotiations, but persisted in its delay. eBay then filed its Complaint against Dotcom and
26 Beautybay in this Court on June 20, 2013.

27 34. Upon information and belief, eBay never had any intention of settling its dispute
28

1 with Dotcom. eBay engaged in negotiations with Dotcom in an attempt to coerce Dotcom to
2 relinquish use of the BEAUTYBAY Marks. When Dotcom did not relent to eBay's coercion,
3 eBay brought its United Kingdom action. When Dotcom still refused to relent, eBay brought its
4 Complaint against Counterclaimants here in the U.S., in a continued attempt to coerce Dotcom
5 into relinquishing its use of the BEAUTYBAY Marks.

6 35. eBay brought its United Kingdom action and its Complaint despite its awareness
7 that there is no likelihood of confusion between eBay's marks and the BEAUTYBAY Marks and
8 its awareness that the use of the BEAUTYBAY Marks does not dilute eBay's marks.

9 36. eBay's mal intent is demonstrated in part by its failure to bring suit sooner than it
10 did. eBay was or should have been aware of the use of the BEAUTYBAY and
11 FRAGRANCEBAY marks many years before it filed its Complaint in June 2013.
12 Fragrancebay.com Limited has been operating since 1999 and successfully sold products through
13 eBay's own website beginning in 2002 under the easily recognizable names "beautybaycom" and
14 "fragbay." The Beautybay business has used the BEAUTYBAY branding to sell many millions of
15 dollars' worth of products throughout the world. Beautybay has purchased extensive advertising
16 through multiple online advertising platforms, television, and its own promotional materials. eBay
17 even sent two communications, one in 2003 and one in 2004, stating its belief that two of the
18 Fragrancebay.com Limited domain names likely violated eBay's trademarks.

19 37. Upon information and belief, Counterdefendant's mal intent is also demonstrated by
20 its history of using its trademarks to threaten and coerce online retailers into relinquishing use of
21 their marks, in order to harm those businesses and monopolize online product auctions and sales.
22 eBay has threatened legal action against online retailers which use domain names and/or marks
23 that contain the term "bay" even though those retailers' use of their marks pose no threat to eBay's
24 business and are not likely to cause confusion or dilute eBay's marks. eBay has also repeatedly
25 opposed trademark registration applications and/or brought trademark infringement and dilution
26 law suits against such retailers despite a lack of any real injury or threat.

27 38. Counterdefendant's claims of infringement and dilution by use of the
28

BEAUTYBAY Marks and other marks that include the term "bay" are baseless given the widespread use of "bay" by online retailers. The following companies are a small example of online retailers who utilize "bay" in their marks:

	Domain Name	Company Name	Product Category
1.	bikini-bay.com	Bikini Bay	Beachwear
2.	thehealthbay.com	The Health Bay	Health
3.	komputerbay.com	KomputerBay	PC peripherals
4.	bikebay.co.za	Bike Bay	Cycles
5.	thetoybay.com	The Toy Bay	Toys
6.	thephonebay.com	The Phone Bay	Mobile phones
7.	carbay.co.uk	Car Bay	Automotive
8.	androidtabletбай.com	Android Tablet Bay	Electronics
9.	tabletбай.co.uk	Tablet Bay	Electronics
10.	tvбай.co.uk	TV Bay	Sale/Swap TV's
11.	batteryбай.net	Battery Bay	Batteries
12.	thestorageбай.co.uk	The Storage Bay	Storage solutions
13.	gameбай.com	Game Bay	Gaming
14.	gadgets-bay.com	Gadgets Bay	Electronics
15.	theбай.com	Hudson's Bay	Beauty/clothing
16.	coffeeбай.co.uk	Traders Coffee	Coffee
17.	tangerineбай.com.au	Tangerine Bay	Candles & soaps
18.	thetyreбай.com	The Tyre Bay	Automotive
19.	staffбай.com	Staff Bay	Recruitment
20.	furnitureбай.co.uk	Furniture Bay	Office furniture
21.	beddingбай.co.uk	Bedding Bay	Textiles
22.	floorбай.co.uk	Floor Bay	Flooring
23.	electricalбай.co.uk	Electrical Bay	Electronics
24.	caterбай.co.uk	Cater Bay	Catering equipment
25.	coconutбайcosmetics.com	Coconut Bay Cosmetics	Make up/beauty
26.	baysoap.co.uk	The Bay Soap Company	Soaps
27.	thepirateбай.sx	The Pirate Bay	Downloads
28.	beautyбайgolf.com	Beauty Bay Golf	Sports - golf
29.	hairбай.ch	Hair Bay	Hair
30.	shinobayderm.com	Shino Bay	Plastic surgery
31.	domainsбай.com	Domains Bay	Domain reseller
32.	strawberryбай.com	Strawberry Bay	Fishing and boating
33.	apple-bay.co.uk	Apple Bay	Apple products
34.	k-bay.co.uk	K Bay	Sports
35.	van-bay.co.uk	Van Bay	Automotive
36.	b-bay.co.uk	BlueBay Holidays	Holidays
37.	bamboobай.co.uk	Bamboo Bay	Clothing
38.	travellersбай.com	Travellers Bay	Holidays
39.	budбай.com	Bud Bay	Medicine
40.	beautyбай.en.ec21.com	Beauty Bay International	Wholesale clothing

40. In sum, eBay brings this baseless suit years after learning of Beautybay's business and Beautybay's use of the BEAUTYBAY Marks. This is simply a belated attempt push Beautybay out of the U.S. market. eBay's improper motives are laid bare by the prevalence of online retailers' use of the term "bay," and the clear lack of injury, or threat of injury, that eBay has suffered. Beautybay is an established and well-known online retailer that eBay has watched successfully operate worldwide for many years. If eBay actually believed that Beautybay's use of its marks posed any threat of likelihood of confusion or dilution, it could have – and should have – brought suit many years ago.

FIRST CAUSE OF ACTION
(DECLARATORY RELIEF – 28 U.S.C. § 2201)

41. Counterclaimants restate and incorporate the allegations of paragraphs 1 through 40 as if fully set forth herein.

42. An actual controversy has arisen between Counterclaimants and Counterdefendant with respect to Counterclaimants' ability to use their Marks in connection with their goods and services.

43. Counterclaimants are entitled to a declaration of their rights, liabilities and obligations, in particular, a declaratory judgment confirming Counterclaimants' rights to continue to use their Marks in connection with their goods and services.

PRAYER FOR RELIEF

WHEREFORE, Counterclaimants pray for a judgment:

1. Dismissing Plaintiff's Complaint with prejudice and denying Plaintiff any relief whatsoever;

2. Declaring that Counterclaimants' use of their Marks do not infringe Plaintiff's trademark rights or any other rights of Plaintiff;

3. Restraining Plaintiff from further opposing Counterclaimants' attempts to register their Marks;

4. Awarding Counterclaimants costs of suit, including attorneys' fees;

5. Awarding Counterclaimants such further relief as the Court deems just and proper.

DATED: September 30, 2013

COBLENTZ PATCH DUFFY & BASS LLP

By: /s/ Julia D. Greer

Julia D. Greer

Attorneys for Defendants and Counterclaimants

DOTCOM RETAIL LIMITED and

BEAUTYBAY.COM LIMITED

COBLENTZ PATCH DUFFY & BASS LLP
ONE FERRY BUILDING, SUITE 200, SAN FRANCISCO, CALIFORNIA 94111-4213
415.391.4800 • FAX 415.989.1663

COBLENTZ PATCH DUFFY & BASS LLP
ONE FERRY BUILDING, SUITE 200, SAN FRANCISCO, CALIFORNIA 94111-4213
415.391.4800 • FAX 415.989.1663

REQUEST FOR JURY TRIAL

Defendants/Counterclaimants demand a trial by jury on all issues so triable.

DATED: September 30, 2013

COBLENTZ PATCH DUFFY & BASS LLP

By: /s/ Julia D. Greer
Julia D. Greer
Attorneys for Defendants and Counterclaimants
DOTCOM RETAIL LIMITED and
BEAUTYBAY.COM LIMITED